

# OUTLOOK

A Publication Of The South Dakota Retirement System

Number 3 November 2007

Workshops, One-on-one Sessions Put Members in Control

## Learning to Take Charge of Your Retirement

When it comes to retirement planning, smart choices begin with good information. Through SDRS' free educational programs, members find the information they need to make wise decisions about retirement.

SDRS' highly trained retirement planners lead seminars, workshops and individual sessions to help members develop a realistic, comprehensive picture of their retirement plans.

### Regional Seminars Answer Questions About SDRS

When should you initiate the retirement process? How are SDRS benefits calculated? What is the Supplemental Retirement Plan? Designed especially for members planning to retire within five years, SDRS' Regional Retirement Planning Seminars provide answers to these and other general questions about retirement and the system's policies and procedures. "We also invite the Social Security Administration to discuss how to apply for those benefits," says Corinne Koch, SDRS' retirement benefits manager.

Regional seminars are conducted several times each year. Seminar locations vary; typically the events

are held in Sioux Falls, Rapid City, Aberdeen, Yankton and Watertown. Space is limited in these popular seminars, so SDRS retirement planners advise members to register early.

### How Much Income Will You Need in Retirement?

SDRS members looking for personalized planning assistance have a new, free resource: Managing Retirement Income workshops. "These workshops are ideal for mid-career members — people age 45 and older," Koch says.

The hands-on, small-group meetings focus on assessing retirement income needs and identifying gaps in members' financial planning. Participants also learn how to determine the difference between discretionary and essential expenses and whether to spend taxable or nontaxable savings first.

Using retirement planning workbooks, participants also determine whether they will be financially ready to retire and how best to continue investing for retirement. "All members need to bring is a pen or pencil. SDRS provides workbooks free of charge," Koch says. "Participants can take the books home and use them as they continue to plan for retirement."



Sign up in advance for all SDRS educational programs. To register for one-on-one counseling sessions or Managing Retirement Income workshops, call 1-888-605-SDRS. Register for Regional Retirement Planning Seminars online at [www.sdrs.sd.gov](http://www.sdrs.sd.gov) or by calling 1-888-605-SDRS.

Each workshop can accommodate 30 participants, so Koch encourages members to register early.


### One-on-one Sessions Provide Individual Answers

Got a question specific to your personal circumstances? Need an answer based on your financial footing? Schedule an individual counseling session with one of SDRS' retirement planners.

"Individual counseling sessions are for all members who have questions about SDRS, whether they're newly hired, in the middle of their careers or nearing >>

>> retirement," Koch says. "Whatever members need to know, we're here to help."

Regardless of the specific questions involved, Koch says, "It's a good idea to bring your most recent Social Security estimate statement and SDRS Personal Benefits Statement to an individual counseling session."

To schedule a session, members should consult the planners' schedule published in Outlook and on the Web to find the date for their county area. Planners will be at a central location within the county from 3 p.m. to 8 p.m. the day of the session. Call SDRS to set up an individual appointment in advance. "We can't guarantee our planners will have time to help walk-ins while traveling," Koch explains. "But walk-ins are always welcome at the SDRS office in downtown Pierre." 

## New Trustees Represent School Boards, Municipal Employees

### New Members Join SDRS Board

This summer the SDRS Board of Trustees welcomed two new members: Cathy Druckrey, who was elected in June to represent municipal employees; and Michael Turnwall, who was appointed in June to replace retiring school board representative Dennis Chowen. Both Druckrey, a human resources manager with Rapid City municipal government, and Turnwall, a member of the Huron School Board, began their terms in July 2007.

The 17-member SDRS Board of Trustees establishes system policy, submits proposed SDRS-related legislation to the South Dakota Legislature, develops SDRS' annual budget, and sets long-term




Cathy Druckrey



Michael Turnwall

goals for benefit improvements. Trustees are elected by members to represent SDRS membership groups, including teachers, judges, public safety employees, elected officials and state, municipal and county employees.

The board meets each April, June, September and December. The next meeting will be held December 5-6 at the Holiday Inn Express in Ft. Pierre. 

## Annual Report Recognized for 12th Year in a Row

### SDRS Receives National Honor

SDRS' annual report meets the highest standards for financial reporting and accountability to members, according to a national organization.

The Government Finance Officers Association (GFOA), which establishes standards for reporting and disclosures by public entities like SDRS, recently awarded the system a Certificate of Achievement for Excellence in Financial Reporting.

The SDRS annual financial report has received the award each year since 1996. The 80-page report provides a detailed financial summary of SDRS, including contributions, investment earnings and benefit payments. Members can download the report from [www.sdrs.sd.gov](http://www.sdrs.sd.gov).



SDRS' financial report for FY 2007 will be issued in December 2007.



## Plan Invests Termination Pay for Retirement

**W**ill you receive termination pay when you retire? Like many SDRS members, you might anticipate receiving a lump-sum payout — for unused vacation or sick leave, a contract buyout or other special circumstance — when you end SDRS-contributory employment. Under the Special Pay Plan (SPP), SDRS may deposit that termination pay in an individual investment account with flexible withdrawal options.

### Can I Participate in the Special Pay Plan?

An SDRS member is eligible for the SPP if he or she is terminating employment and

- is employed by an SDRS unit that participates in the SPP
- is age 55 or has reached the first day of the calendar month prior to his or her 55th birthday
- is receiving termination pay of at least \$600, up to a maximum of \$45,000 as indexed for 2007

If you are eligible to participate in the SPP, your termination pay will automatically be deposited into an SPP account upon your retirement.

### When Can I Withdraw SPP Funds?

SPP participants can leave their funds in the plan to accumulate investment earnings or withdraw them any time they wish. The plan offers several withdrawal options:

- a lump sum or partial lump sum payment
- periodic payments, either (a) a fixed dollar amount paid

monthly until funds are depleted or (b) a percentage of the total fund paid over a fixed time period

- a lifetime annuity

Participants can also roll over SPP funds into certain qualified retirement accounts. To learn which plans qualify, call (605) 224-2230 and talk to an SPP retirement specialist.

To withdraw or transfer plan funds, request a Special Pay Plan distribution form by calling the plan administrator's office at (605) 224-2230.

Members receive SPP funds only after they terminate employment. Because only contributing SDRS members can purchase additional credited service, SPP funds cannot be used for that purpose.



### How Can I Check the Balance in My SPP Account?

SPP participants have many ways to track the progress of their investments. Quarterly statements, newsletters and investment performance reports keep members informed. Participants also have 24-hour account access via the SPP Web site, [www.SRP457.com](http://www.SRP457.com), and can check their account balances using the plan's voice response system, available by calling 1-800-959-4457. During business hours, SPP service representatives are available at no charge to help members who call the SPP office at (605) 224-2230.

Learn more about the SPP's tax-deferred status, investment options and low maintenance fees in the Outlook interview with board member KJ McDonald on page 6.

OUTLOOK



## SDRS Retirement Planners Offer Top-Quality Advice


The planning help available through SDRS' retirement education programs is not only free of charge — it's also provided by expert counselors.

All SDRS retirement planners are now required to earn the Certified Retirement Counselor (CRC) certification. Six SDRS planners are currently completing the rigor-

ous CRC program, which requires them to pass four exams, have two years (within the past five) of related professional experience, adhere to high ethical standards and continue their retirement counseling education.

Corinne Koch, SDRS retirement benefits manager, recently earned the CRC certification, demonstrat-

ing her expertise in the complex field of retirement planning and counseling.

Awarded by the International Foundation for Retirement Education, the CRC designation indicates a counselor is highly qualified to give advice about retirement planning, income management and retirement readiness. 



### Board Notes

*The following is a summary of major issues that came before the SDRS Board of Trustees at its meetings on June 5 and 6 and September 5 and 6, 2007.*

#### June 5 & 6, 2007

##### Election results

SDRS Administrator Rob Wylie recognized retiring board members Tracy Dahl-Webb and Dennis Chowen.

Dawn Smith, SDRS, presented results of the recent balloting that elected Cathy Druckrey to the board for the next four-year term. The board appointed a school board representative, Michael Turnwall, to replace Mr. Chown.

##### Financial status

Koren Holden, consulting actuary with Buck Consultants, presented the regional funded status, benefit survey results and preliminary update on the reserve and cushion projection.

Mr. Wylie and Ms. Holden led a review of the SDRS mission statement, long-term goals and member issues file. Paul Schrader presented an overview of strategic planning.

Mr. Wylie and Jane Roberts, SDRS, presented the budget request for fiscal year 2009.

##### Reports and discussions

Randall Stuefen, Stuefen Research presented a study of the economic impact of SDRS benefits on the state.

Mr. Wylie and Wade Hubbard, SDRS' general counsel, discussed potential 2008 legislation.

Mr. Wylie made a presentation on personal retirement savings. Mr. Wylie, SDRS Investment Officer Matt Clark and SDRS' Damian Prunty discussed the status of changes to SRP/SPP administration.

Board members discussed Mr. Wylie's compensation.

Mr. Clark presented an update on fiscal year 2007 investment performance.

Corey Landeen, executive director of the South Dakota State Employees Organization, presented SDSEO resolutions.

Board members once again selected Mr. Wylie to serve on the Investment Council.

**Present:** Elmer Brinkman, Brian Berglin, Matt Clark, Jason Dilges, Cathy Druckrey, Laurie Gustafson, James O. Hansen, Ray Hofman, Chuck Holmstrom, James Johns, Louise Loban, Darwin Longieliere, Eric Stroeder, Michael Turnwall, Sandra Zinter, Justice Steven Zinter

**Absent:** Kathy "K.J." McDonald

#### September 5 & 6, 2007

##### Financial status

Rob Wylie, SDRS' administrator, and Koren Holden, actuary with Buck Consultants, made a report on SDRS' funded status. Ms. Holden presented

funded status projections for June 30, 2008, and a tutorial on actuarial principles.

As part of the update on SDRS' 2007 financial status, Mr. Wylie presented a report on SDRS membership and experience, and State Investment Officer Matt Clark and Assistant Investment Officer Tammy Otten made a presentation on fixed income and derivatives.

##### Reports and discussions

The board's nominating committee presented a report.

The board re-elected Elmer Brinkman as chair and Justice Steven Zinter as vice chair.

Board members discussed SDRS goals and objectives. Paul Schrader led a discussion on strategic planning. Mr. Wylie and SDRS General Counsel Wade Hubbard discussed 2008 legislation.

June Larson and Rich Ohde of Nationwide Retirement Solutions made a presentation on the Supplemental Retirement Plan.

**Present:** Elmer Brinkman, Brian Berglin, Matt Clark, Jason Dilges, Cathy Druckrey, Laurie Gustafson, James O. Hansen, Ray Hofman, Chuck Holmstrom, James Johns, Louise Loban, Darwin Longieliere, Kathy "K.J." McDonald, Eric Stroeder, Michael Turnwall, Sandra Zinter, Justice Steven Zinter

But again, members will never pay Social Security taxes on the special pay.

**OUTLOOK:** *You said the SPP is an investment program.*

*How are SPP funds invested?*

MCDONALD: That's up to the individual member. The plan operates just like a lot of other investment programs; participants choose from a variety of investment options according to their risk tolerance and preferences.

**OUTLOOK:** *Investment accounts typically charge a fee. Does the SPP?*

MCDONALD: Yes, but the participant's employer pays the first year's fees. After the first year, participants pay an annual fee equal to 0.26 percent of the total value of their SPP accounts. For members already participating in the SPP prior to July 1, 2007, the fee structure could be different. Participants can review their quarterly statements or call the SPP office to find out how much they're paying.

**OUTLOOK:** *What's the difference between the SPP and the SRP?*



*...tax-saving features are the reason SDRS created the Special Pay Plan...*

MCDONALD: There are several similarities — both plans defer taxes, offer individual investment accounts and let members choose how their money will be invested.

But the SPP is strictly for termination pay; it's an account created automatically by SDRS when an

eligible member terminates employment. Members can participate in the SPP only upon retirement.

The Supplemental Retirement Plan, or SRP, is a voluntary savings program open to all members. Members decide whether and when to open accounts and determine how much to contribute each pay period.

**OUTLOOK:** *Can members participate in both plans?*

MCDONALD: Absolutely — we encourage all members, at any stage of their careers, to participate in the SRP as a way to accumulate extra savings for retirement.

Members should also be aware that SPP contributions don't count against the SRP contribution limit — so regardless of the amount of termination pay deposited in his or her SPP account, a member can still invest up to the annual maximum in the Supplemental Retirement Plan. **OUTLOOK**

## SDRS STATE-WIDE INDIVIDUAL COUNSELING SCHEDULE\*

SCHEDULE DATE	COUNTY	LOCATION	ADDRESS	DEADLINE TO SCHEDULE**
November 14, 2007	Union	Elk Point, Community Room	209 E Main	November 8, 2007
November 20, 2007	Kingsbury, Lake, Miner	Madison, Karl Mundt Library	8th & Egan	November 15, 2007
November 27, 2007	Hand, Hyde	Miller, American State Bank	131 N Broadway	November 22, 2007
December 04, 2007	Lawrence	Spearfish, Holiday Inn I-90	Exit 14	November 29, 2007
December 11, 2007	Campbell, Walworth	Mobridge, Wrangler Inn	820 W Grand Crossing	December 06, 2007

\* See the SDRS Web site for a more complete schedule. \*\* Individual retirement counseling sessions must be scheduled before noon on this date.

## Special Pay Plan Offers Tax Savings and Investment Options



Kathy "K.J." McDonald

### OUTLOOK Interview

In this Outlook interview, SDRS Board of Trustees member Kathy "K.J." McDonald discusses the investment and tax-deferral aspects of the Special Pay Plan. Ms. McDonald has represented county employees on the SDRS board since 1997. She is the chief deputy auditor of Pennington County.

#### **OUTLOOK: What is the Special Pay Plan?**

MCDONALD: It's a program under which SDRS deposits eligible members' termination pay — lump-sum payouts for unused vacation or sick leave, contract buyouts and the like — into tax-deferred investment accounts. The SPP is for members age 55 or older who receive \$600 or more in termination pay. The member must also be employed by an SDRS employer unit that has elected to participate in the plan.

#### **OUTLOOK: What does tax-deferred mean?**

MCDONALD: For the SPP, it means two things: First, SPP funds and earnings are permanently exempt from Social Security taxes. Second,

members don't pay income tax on the money deposited in their SPP accounts — or on SPP investment earnings — until they withdraw it.

These tax-saving features are the reason SDRS created the Special Pay Plan. Before the plan's launch in 2004, employers were required to withhold Social Security and income tax from all members' termination pay. Under the SPP, eligible members' termination payouts go straight into individual SPP accounts without any taxes withheld. When you consider that many of us pay almost 30 percent of our gross income in taxes, it's easy to see what an advantage the SPP offers.

#### **OUTLOOK: But members will end up paying income taxes on the money eventually, right?**

MCDONALD: Yes, members do pay income tax on SPP funds for the tax year in which those funds are withdrawn. But most members withdraw SPP funds in retirement, when they're in a lower income tax bracket than they were while working. That means they'll probably pay less taxes on the money.

... continued on page 5



South Dakota Retirement System  
P. O. Box 1098  
Pierre, South Dakota 57501

PSRST STD  
U.S. Postage  
**PAID**  
Permit #227  
Sioux City, IA